# MANAGEMENT DISCUSSION AND ANALYSIS

MONARQUES GOLD

PERIOD OF SIX-MONTH ENDED
DECEMBER 31, 2016


MONARQUES GOLD CORPORATION

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The following management's discussion and analysis (the "MD&A") objective is to help the reader better understand the activities of the Company and the highlights of its financial situation. It explains the financial situation and the results for the six-month period ended December 31, 2016 and the comparison of the Company's statement of financial position as at December 31, 2016 and June 30, 2016.

The MD&A has been prepared in accordance with Regulation 51-102 and should be read in conjunction with the audited consolidated financial statements of the Company for the fiscal year ended June 30, 2016 and the related notes thereto.

The unaudited consolidated condensed interim financial statements and this MD&A have been reviewed by the Audit Committee and approved by the Company's Board of Directors on February 22, 2017. Unless otherwise indicated, all the amounts in this MD&A are in Canadian dollars.

### Forward looking statements

Some statements contained in this MD&A, specially the opinions, the projects, the objectives, the strategies, the estimates, the intent and the expectations of the Company that are not historical data, are forward looking statements. Such statements can be recognized by the terms "forecast", "anticipate", "consider", "foresee" and other terms and similar expressions. These statements are based on information available at the time they are made, on assumptions established by the management and on the management expectation, acting in good faith, concerning future events and concerning, by their nature, known and unknown risks and uncertainties mentioned herein (see the section Risks and uncertainties). The real results for the Company could differ in an important way of those which state or that these forward looking statements show the possibility for. Consequently it is recommended not to trust unduly these statements. These statements do not reflect the potential incidence of special events which could be announced or take place after the date of this MD&A. Except if the applicable legislation requires it, the Company does not intend to update these prospective statements to reflect, in particular, new information or future events, and it is by no means committed doing so.

### Reporting entity and going concern

The Corporation incorporated on February 16, 2011 under the *Canada Business Corporations Act*, is engaged in the acquisition and exploration of mining properties. Its shares trade on the TSX Venture Stock Exchange under the symbol MQR. Its activities are in Canada.

The Corporation has not yet determined if the properties contain ore reserves that are economically recoverable. Although the Corporation has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Corporation's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The recoverability of amounts shown for mining properties and related exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Corporation to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. As at the date of the financial statements, management determined that the carrying amount of mining properties represents the best estimate of their net recoverable value. This value may nonetheless be reduced in the future.

### Reporting entity and going concern

Management estimates that the working capital available to the Company at the end of the period will provide the Company with adequate funding in order to cover its 2017 calendar year budget for general administrative expenses, to meet its short-term obligations, and to complete its planned 2017 calendar year exploration budget. However, since the Company does not generate revenues, the Company will need to periodically obtain new funds to pursue its operations and meet its obligation related to the acquisition of the Beacon property and the design and building of a power line for the Croinor property. Despite its ability to obtain funds in the past, there is no guarantee that it will be able to raise financing in the future.

As at December 31, 2016, all of the Company's financial liabilities (except the balance of purchase price payable) had contractual maturities of less than one year and the Company had enough funds available to meet its current financial liabilities. At the same date, the Company had $2,528,701 in cash and cash equivalents not reserved for exploration or for the design and build of the power line on Croinor property ($4,006,691 as at June 30, 2016). The total working capital (excluding funds reserved for exploration, design and build of the power line on Croinor property and liability related to flow-through shares) of $2,037,905 will be used to meet its financial liabilities and future financial liabilities from its commitments mainly related to the acquisition of the Beacon property and the development of the Croinor property. The Company had $2,276,739 ($56,046 as at June 30, 2016) of funds reserved for exploration and $601,386 ($643,740 as at June 30, 2016) for design and build the power line at Croinor property as at December 31, 2016.

These unaudited consolidated condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and on the assumption of going concern. The application of IFRS under the assumption of going concern may be inappropriate because the above condition indicates the existence of a material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern. These unaudited consolidated condensed interim financial statements do not include adjustments that should be made to the carrying amount of assets and liabilities if the assumption of going concern proves to be unfounded.

### Highlights for the six-month ended December 31, 2016 and up to the date of this report

The principal business objectives that the Corporation expects to accomplish in the near term are i) perform its exploration program; and ii) to update, during the course of the fiscal year 2017, the NI-43-101 compliant prefeasibility study prepared by InnovExplo, which was originally filed on October 17, 2014, with an effective date of October 7, 2014 concerning the Croinor Gold property.

In December 2016, the Company closed a brokered private placement of an aggregate of 4,382,130 flow-through shares at a price of $0.35 per unit for a gross proceed of $1,533,745.

In July 2016, the Company closed a brokered private placement of an aggregate of 4,083,333 flow-through units at a price of $0.51 per unit for a gross proceed of $2,082,500.

Between July 1, 2016 and up to December 31, 2016, 300,000 options were exercised at an exercise price of $0.14 and 4,683,274 warrants were exercised at an exercise price between $0.10 and $0.18. Following these exercises, the Corporation received an aggregate amount of $748,077 and issued a total of 4,983,274 common shares of the Company.

The Company closed the acquisition of the Beacon property on October 31, 2016 in consideration of the payment of CA$1,000,000, a balance payable in cash of US$2,415,600 and the issuance of 3,740,550 common shares (of which 1,308,900 common shares were issued in July 2016 as deposit for the acquisition), as follows: (i) $1,000,000 cash and 2,431,650 common shares on closing of the transaction; and (ii) US$402,600 payable in cash at the 30th, 36th, 42nd, 48th, 54th and 60th month following closing of the transaction.

On February 2, 2017, The Company reported the results of hole CR-16-515 returned two mineralized intersections, one grading 6.74 g/t Au over 2.1 metres, including 24.7 g/t Au over 0.5 metres, and the other grading 11.91 g/t Au over 2.8 metres, including 46.6 g/t Au over 0.6 metres.

On January 24, 2017, the Company reported the results of Hole CR-16-521. The largest intersection returned 8.41 g/t Au over 25 metres, including 36.1 g/t Au over 3 metres and 39.35 g/t Au over 2 metres. The intersection is shallow, from 29 to 54 metres down the hole. The hole also returned other notable intersections, with 0.47 g/t Au over 28 metres (from 82 to 110 metres), 1.13 g/t Au over 15 metres (from 141 to 156 metres) and 1.81 g/t Au over 3.15 metres (from 165.85 to 169 metres).

On January 19, 2017, the Company reported the results of hole CR-16-512 was designed to achieve the second objective. It returned 12.71 g/t Au over 9.9 metres (33 feet), confirming the high grades obtained in historical holes CN-89-135 (24.30 g/t Au over 2.7 metres) and CR-15-431 (15.12 g/t Au over 4.0 metres).

On January 11, 2017, the Company reported the results of hole CR-16-506 was drilled on Section 770W (see section), and intercepted three shear corridors containing gold veins. One of the veins returned 3.95 g/t Au over 3.2 metres, including 15.7 g/t Au over 0.7 metres at a depth of 230 metres, which would appear to support the presence of multiple high-grade gold structures in the western part of the Croinor Gold deposit. Historical hole CR-11-395 had returned values of 21.7 g/t Au over 1.0 metres and 14.69 g/t Au over 2.0 metres in gold structures located at 18 metres southeast of Section 770W.

On January 4, 2017, the Company reported the results of hole CR-16-505 returned a 2.3 metre intersection grading at 23.27 g/t Au including 58.6 g/t Au over 0.9 metres.

# Prefeasibility Study Highlights, Mineral Resources and Mineral Reserves

The Prefeasibility Study considers an underground mining operation with custom milling of the ore at a fully-permitted milling facility near Val-d'Or. The expected mine life is five years. The following table shows the highlights from the Prefeasibility Study report; all currency is in Canadian dollars unless otherwise indicated.

- **PREFEASIBILITY STUDY HIGHLIGHTS [(1)]**

| Parameters | Prefeasibility Study Results |
|---|---|
| Proven and probable mineral reserves | 541,534 t at 6.77g/t [(2)] |
| Mine life (including 18 months of preproduction) | 5 years |
| Daily mine production | 425 tpd rising to 675 tpd in Year 4 |
| Recovery | 97.5% |
| Annual gold production | 21,259 to 40,540 oz |
| Gold recovered over the life of the mine. | 114,916 oz |
| Average operating cost/tonne | $180/tonne |
| Average operating cost/oz | US $757/oz |
| Capital cost [(3)] | $42.3 million |
| Total all-in cost per ounce | US $1,038/oz |
| Total gross revenue | $175.1 million |
| Total operating cost | $91.2 million |
| **Total cost of the project** | **$133.4 million** |
| **Operating cash flow (before taxes and royalties)** | **$34.7 million** |
| **Estimated income taxes and mining duties** | **$12.5 million** |
| **Net cash flow (after income taxes and royalties)** | **$22.1 million** |
| **Pre-tax NPV (5% discount rate)** | **$25.0 million** |
| **Pre-tax IRR** | **34 %** |
| **After-tax NPV (5% discount rate)** | **$14.9 million** |
| **After-tax IRR** | **24%** |
| **Pay-back period** | **3.8 years** |
| **Preproduction period (including production of 35,980 t)** | **18 months** |

(1)

| Oct-14 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|
| US $1,200 | US $1,260 | US $1,323 | US $1,389 | US $1,459 |
| *Gold price indexed at 5% per year. Exchange rate ( $CA/US $) = 1.12* | | | | |

(2) Volume and grade include mining dilution and recovery.
(3) Includes approximately $14.96 million for working capital and sustaining capital

The Company filed the Prefeasibility study on a press release dated October 17, 2014. The Prefeasibility is available on Sedar.

- **MINERAL RESOURCES**

The mineral resource estimate was realised by Karine Brousseau, Eng., under the supervision of Carl Pelletier, B.Sc., P.Geo. who are both consultants with Val-d'Or-based InnovExplo Inc. One of goals of InnovExplo's work was to prepare a 43-101 mineral resource estimate for the deposit.

At a 4 g/t Au cut-off grade, the deposit contains a measured resource of 80,000 tonnes grading 8.41 g/t Au for 22,000 ounces, an indicated resource of 600,000 tonnes at 9.18 g/t Au for 177,000 ounces, and an inferred resource of 160,000 tonnes at 8.56 g/t for 44,000 ounces.

The mineral resource estimate was prepared using a 3-D block model and inverse distance interpolation (ID6) for a 1,570-metre strike length corridor of the Croinor property, to a vertical depth of 545 metres below surface, on 54 mineralized zones.

InnovExplo compiled the drill data for the Croinor property. The assay results for holes drilled from surface in 2010 and 2011, up to Hole CR-11-413, were included in the mineral resource estimate. The current estimate includes 1,219 underground and surface diamond drill holes and covers an east-west distance of 1,530 m on the Croinor deposit.

The database contains a total of 27,655 assays from the 122,339 metres of core drilled in 1,219 holes, as well as 4,309 assays from 1,927 channel samples compiled by InnovExplo in 2005 (Pelletier, C. and Boudrias, G., 2005) that comprises samples from development headings driven between 1983 and 1986.

The following table shows the mineral resource estimate at cut-off grades ranging from 3 g/t Au to 5 g/t Au.

**Mineral resource estimate (including mineral reserves) (October 7, 2014)**

| Mineral Resources Estimate | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Measured | | | Indicated | | | Measured + Indicated | | | | Inferred | | |
| Cut-off (g/t) | | Tonnes | Au g/t | Oz Au | Tonnes | Au g/t | Oz Au | Tonnes | Au g/t | Oz Au | | Tonnes | Au g/t | Oz Au |
| › 5 g/t | | 59 400 | 9.81 | 18 700 | 447 300 | 10.78 | 155 000 | 506 700 | 10.66 | 173 700 | | 102 400 | 10.90 | 35 900 |
| **› 4 g/t** | | **80 500** | **8.41** | **21 800** | **599 600** | **9.18** | **176 900** | **680 100** | **9.08** | **198 700** | | **160 100** | **8.56** | **44 100** |
| › 3 g/t | | 112 400 | 7.00 | 25 300 | 848 300 | 7.51 | 204 700 | 960 700 | 7.45 | 230 000 | | 227 800 | 7.03 | 51 500 |

- The Independent Qualified Persons for the Mineral Resource Estimate, as defined by Regulation 43-101, are Karine Brousseau, P.Eng., and Carl Pelletier, B.Sc., P.Geo. (InnovExplo Inc.); the effective date of the estimate is 8 August 2014. Mineral Resources, which are not Mineral Reserves, do not have demonstrated economic viability.
- The Mineral Resource is presented inclusive of Mineral Reserves; in other words, the Mineral Reserves have not been subtracted from the Mineral Resource presented above.
- The results are presented undiluted and in situ; the estimate includes 54 gold-bearing zones.
- The Mineral Resource was compiled at cut-off grades of 3, 4 and 5 g/t Au.
- Cut-off grade must be re-evaluated in light of prevailing market conditions (gold price, exchange rate and mining cost).
- A density of 2.8 g/cm$^3$ was used for the mineralized zones and the waste rock.
- A minimum true thickness of 1.8 m was applied, using the grade of the adjacent material when assayed, or a value of zero when not assayed.
- High grade capping was applied on raw assay data, and was established at 70 g/t Au for the diamond drill core and 55 g/t Au for the underground channel samples.
- Compositing was done on drill hole sections and underground channel sections falling within the mineralized zones (composite = 1 metre).
- Resources were evaluated using GEMCOM GEMS 6.3 software from drill holes and underground channel samples using an ID6 interpolation method in a block model.
- The Measured, Indicated and Inferred categories are defined using the parameters for the various passes.
- Ounce (troy) = Metric Tonnes x Grade / 31.10348. Calculations used metric units (metres, tonnes and g/t).
- The number of metric tonnes was rounded to the nearest hundred. Any discrepancies in the totals are due to rounding effects; rounding followed the recommendations in Form 43-101F1.

- **RESERVE ESTIMATION**

Mineral reserves were classified in accordance with the CIM Definition Standards for Mineral Resources and Mineral Reserves. Mineral reserves for the project incorporate appropriate allowances for mining dilution and mining recovery for the selected mining method.

MSO (Mineable Shape Optimizer), a Datamine software application, was used to determine the resource to be converted to reserves. MSO software generates individual stope designs from the block model on the basis of specified stope parameters.

Longhole retreat and room-and-pillar appear to be the two mining methods best suited to the Croinor deposit. In order to select the most appropriate method, two MSO runs were done on the block model using the parameters shown below the two methods. Small blocks (5m x 2.5m x 2.5m) were generated to obtain suitable results adapted to the narrow vein nature of the deposit:

Longhole method:
- Cut-off grade: 3.7 g/t
- Minimum mining width: 1.8 m (stope height)
- Mining dilution: 0.4 m on the hangingwall and 0.2 m on the footwall
- Minimum stope footwall angle: 45 degrees
- Sublevel spacing: 13 m vertical
- Block length: 5 m (stope width)

Room and pillar method:
- Cut-off grade: 5.4 g/t
- Minimum mining height: 1.8 m (stope height)
- Maximum mining height: 3 m (stope height)
- Maximum stope angle: 45 degrees
- Stope size: 5m x 5m

The estimated proven and probable reserves are shown in the table below; they total 117,870 ounces after applying the mining recovery and dilution factors for the selected method.

**Diluted Mineral Reserve Estimate**

| Category | Tonnes | Grade g/t | Ounces |
|---|---|---|---|
| Proven | 68,625 | 6.25 | 13,789 |
| Probable | 472,079 | 6.85 | 104,081 |
| Total Reserves | 541 534 | 6.77 | 117,870 |

## NEW RESOURCES CALCULATIONS

On November 24, 2015, the Corporation reported an increase of 19% in the measured and indicated resources at the Croinor Gold project, based on Phases I and II of its 2015 drilling program. (See full press release dated November 24, 2015 for more details). The main highlights are:

- The new mineral resource estimate (cut-off grade of 4 g/t) has increased the measured and indicated (M&I) resource by 37,300 ounces, or 18.8%
- The new estimate is based on the results from Phases I and II of the 2015 drilling program and from the geological reinterpretation of the zones in the lower part of the deposit
- At cut-off grades of 4 g/t and 5 g/t, M&I resource grades are 9.12 g/t and 10.75 g/t, respectively
- The current resource covers a 1,570-metre strike length on the Croinor property, to a depth of 545 metres

The measured and indicated resource (at a cut-off grade of 4 g/t Au) has increased from 680,100 tonnes at 9.08 g/t Au, or 198,700 ounces, as estimated in October 2014, to a total of 804,600 tonnes at 9.12 g/t Au, or 236,000 ounces, for an 18.8% increase in available ounces of gold in 2015. The new estimate is based on additional holes that included six holes drilled in 2011 (CR-11-414 to CR-11-419) (1,824 metres) that were not part of the previous estimate (2014) and 36 holes drilled in 2015 (12,546 metres).

**Mineral resource estimate (including mineral reserves) (November 24, 2015)**

| Mineral resources estimation | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cut off grade (g/t) | Measured | | | Indicated | | | Total measured + indicated | | | Inferred | | |
| | Tons | Grade | Ounces | Tons | Grade | Ounces | Tons | Grade | Ounces | Tons | Grade | Ounces |
| >5 g/t | 59 000 | 9,86 | 18 700 | 538 000 | 10,85 | 187 600 | 597 000 | 10,75 | 206 300 | 101 400 | 9,22 | 30 100 |
| **>4 g/t** | **80 100** | **8,44** | **21 700** | **724 500** | **9,20** | **214 300** | **804 600** | **9,12** | **236 000** | **160 800** | **7,42** | **38 400** |
| >3 g/t | 111 900 | 7,02 | 25 300 | 997 500 | 7,64 | 244 900 | 1 109 400 | 7,57 | 270 200 | 263 800 | 5,86 | 49 700 |

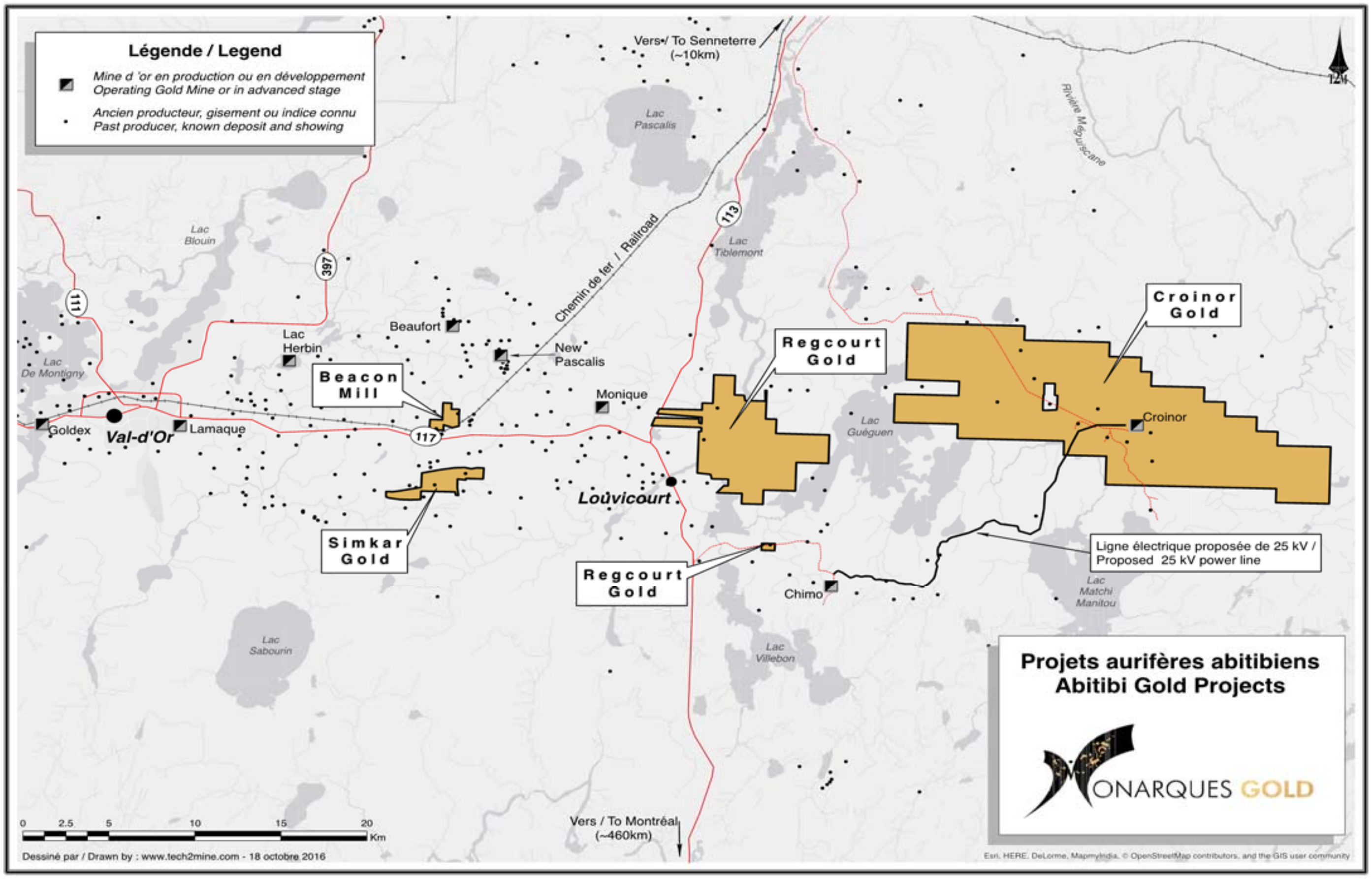
The prefeasibility study dated 7 October 2014, which was based on the mineral resource estimate dated August 8, 2014, <u>has not been updated on the basis of the new mineral resource estimate. It nevertheless remains valid</u> and will be part of the forthcoming NI 43-101 Technical Report. The new resource estimate has no adverse effect on the mineral resource inventory used for the 2014 prefeasibility study. The prefeasibility study will be updated in 2016 to take into account the new mineral resource estimate.

# PROPERTIES

In May 2013, the Company started to acquire gold properties in the Val-d'Or area. As at the date of this report and as shown in the following map, the Company owns, directly or indirectly, in the Val-d'Or area, 4 main properties, totalling 460 claims, 2 mining concessions and 1 mining leases:

| Properties | Claims | Area km2 | MRN Credits ($) | NSR (%) | Properties before consolidation |
|---|---|---|---|---|---|
| Croinor gold<br>1 mining lease | 335 | 151 | 7,649,530 $ | 1,5% * | Croinor, Croinor-Pershing, Lac Tavernier, Bel-Rive |
| Simkar gold<br>2 mining concessions | 17 | 5 | 572,797 $ | 1,5% | Simkar, Tex-Sol |
| Regcourt gold | 97 | 38 | 996,966 $ | 1,5%-2,5%** | Regcourt, Plator I, Plator II, Plator III, Plator IV, Plator V |
| Beacon gold | 11 | 2 | - | - | - |
| *Total* | ***460*** | ***196*** | ***9,219,293 $*** | | |

** Royalty applicable on the mining lease and 45 claims only ** Rolyalty of 1.5 % on 69 claims (Regcourt) and a royalty of 2,5 % on 23 claims (Only claims of Plator I and II )*


Légende / Legend
Mine d 'or en production ou en développement
Operating Gold Mine or in advanced stage
Ancien producteur, gisement ou indice connu
Past producer, known deposit and showing
Vers / To Senneterre (~10km)
Lac Pascalis
Lac Blouin
Lac Tiblemont
Chemin de fer / Railroad
Croinor Gold
Regcourt Gold
Beacon Mill
Beaufort
Lac Herbin
New Pascalis
Monique
Lac De Montigny
Goldex
Val-d'Or
Lamaque
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Lac Guéguen
Louvicourt
Simkar Gold
Regcourt Gold
Chimo
Ligne électrique proposée de 25 kV /
Proposed 25 kV power line
Lac Matchi Manitou
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Projets aurifères abitibiens
Abitibi Gold Projects
MONARQUES GOLD
Vers / To Montréal (~460km)
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| Property | Details | Objective | Results |
|---|---|---|---|
| ***Croinor Gold*** | The Croinor project and its surroundings covers a total area of about 151 $km^2$ and comprises 335 mineral claims and one mining lease, all wholly-owned by the Corporation.<br><br>The Croinor Gold property is the result of a merger of the Croinor, Croinor-Pershing, Lac Tavernier and Bel-Rive properties. The transaction was made and publicly announced by press release on June 26, 2014. | Acquire a property with historical resources with production potential in a near future. | Croinor becomes the flagship project of the Corporation. |
| | Diamond drilling (36 holes) for a total of 12,965 metres were drilled during the phase 1 and phase 2 of the 2015 drilling program, which started in May 2015 and was completed in July 2015. | Demonstrate the extension and continuity of the deposit along strike and at depth. Visible gold was present at a depth of 467 metres in the deposit. | On section 0-East, a gold zone has been traced over a distance of more than 96 metres. The best results in 7 of the holes are; 16.01 g/t over 3.0 m; 15.12 g/t over 4.0 m; 9.31 g/t over 3.0 m; 7.09 g/t over 3.0 m; 6.73 g/t over 4.0 m; 5.83 g/t over 3.4 m and 4.64 g/t over 4.0 m. Also, historical hole CN-89-135 had results of 23.98 g/t over 2.76 m. See the August 18, 2015 press release for more details. |
| | Diamond drilling phase III program for a total of 3,485 metres, started mid-September 2015 and ended mid-October 2015. | Test some of the targets identified during the phase 1 and phase 2 drilling programs. | |
| | 10,000 metres of drilling on the Croinor Gold main deposit, as well as on high potential exploration targets | The goal of the drilling program is to increase the inferred resource of the Croinor Gold main deposit and confirm the economic mineralization of the zones that are slated for production. At the same time, the Corporation will also drill a number of exploration targets, including the Gold Bug sector, the site of a significant discovery less than 500 metres east of the main deposit. | See highlights section for detail. |

| Property | Details | Objective | Results |
|---|---|---|---|
| ***Simkar Gold*** | In September 2013, the Corporation acquired an undivided 50% interest under the terms of a transactions with Eloro Resources Ltd (Eloro). In June 2014, the Corporation made an arrangement with Eloro to acquire the remaining interest in the property.<br><br>The Corporation now holds 100 % of Simkar Gold property. The property is located 20 kilometres east of Val-d'Or, Quebec, in the heart of the Abitibi Greenstone Belt. It covers an area of about 5 km² and comprises two mining concessions and 17 mineral claims. A royalty of 1.5 % is applicable.<br><br>The Simkar Gold property is the result of a merger of the Simkar and Tex-sol properties. The transaction was made and publicly announced by press release on June 26, 2014. | Identify new zones and potential on lateral extension and at depth.<br><br>Additional geophysics is required to define future drilling campaign. | 2013 drill campaign confirms presence of silver and potential to increase the actual resources. |
| ***Regcourt Gold*** | The Regcourt Gold property consists of 97 claims that cover an area of about 38 km$^2$ near the centre of the western border of Vauquelin Township. The property is located at the eastern end of the Val-d'Or gold mining camp, some 30 km east of Val-d'Or. 100 % owned by the Corporation, there's royalties of 1.5 % to 2.5% applicable the claims.<br><br>The Regcourt Gold property is the result of a merger of the Regcourt, Plator I, Plator II, Plator III, Plator IV & Plator V. The transaction was made and publicly announced by press release on June 26, 2014. | Expand the portfolio of advanced exploration assets | Addition of the property to the portfolio of gold exploration assets. |

**The foreseen main works on the properties are as follows:**

| MAIN WORKS PLANNED<br>ON VAL-D'OR PROPERTIES | |
|---|---|
| **Property** | **Work** |
| ***Croinor Gold*** | Fieldwork, exploration drilling and definition drilling. Work on different solutions to increase the economics of the prefeasibility study and make an update. |
| ***Simkar Gold*** | Geophysics, geological surveys, drilling, prospecting and trenching. |
| ***Regcourt Gold*** | Data compilation and reporting. |

### Selected Financial Information

The following table summarizes the Company's selected key financial data taken from the consolidated condensed interim statement of loss and comprehensive loss for the three-month and six-month period ended December 31, 2016 and 2015 as well as the consolidated statement of financial position as at December 31, 2016, June 30, 2016 and June 30, 2015.

| Statements of loss and comprehensive loss selected financial information | | | | |
|---|---|---|---|---|
| | Three-month periods ended December 31 | | Six-month periods ended December 31 | |
| **Earnings and comprehensive loss** | **2016 ($)** | **2015 ($)** | **2016 ($)** | **2015 ($)** |
| Interest income | **(9,067)** | (16) | **(16,683)** | (3,676) |
| Loss before income taxes | **395,385** | 129,917 | **794,625** | 183,352 |
| Net loss | **540,413** | 175,282 | **1,013,822** | 287,673 |
| Comprehensive loss | **540,413** | 175,282 | **1,013,822** | 299,173 |
| Loss per share, basic and diluted | **0.004** | 0.002 | **0.008** | 0.004 |

| Consolidated Statements of Financial Position selected financial information | | | |
|---|---|---|---|
| | As at | | |
| | **December 31, 2016 ($)** | **June 30, 2016 ($)** | **June 30, 2015 ($)** |
| Cash and cash equivalents [1] | **5,406,826** | 4,706,477 | 1,378,648 |
| Working capital [2] | **2,037,905** | 3,761,197 | 480,921 |
| Total assets | **22,132,588** | 11,241,107 | 7,193,798 |
| Total liabilities | **8,151,263** | 1,789,053 | 1,133,579 |
| Shareholder's Equity | **13,981,325** | 9,452,054 | 6,060,219 |

(1) Cash and cash equivalents includes $2,276,739 as at December 31, 2016 ($56,046 as at June 30, 2016 and $648,981 as at June 30, 2015) of cash reserved for exploration expenses and $601,386 cash reserved for design and building of the power line at Croinor property ($643,740 in 2016 and nil in 2015).

(2) This is a non GAAP financial measure which does not have any standardized meaning prescribed by the Company's GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. This financial measure, which represents the actual working capital available to the Company for general administrative purposes and other working capital, is defined as: the current assets excluding the cash reserved for exploration and for power line, less the current liabilities excluding the liability related to flow-through shares and current payment required to fund the In trust deposit of $452,690 payable within 12 months.

**Consolidated statement of financial position as at December 31, 2016**

As at December 31, 2016, the total assets of the Company totalled $22,132,588, representing a net increase of $10,891,481 when compared to June 30, 2016. The increase in the total assets during the six-month period ended December 31, 2016 is mostly related to the acquisition or Beacon property and cash flow from the financing occurred in the six-month period ended December 31, 2016.

Management estimates that the working capital available to the Company at the end of the period will provide the Company with adequate funding in order to cover its 2017 calendar year budget for general administrative expenses, to meet its short-term obligations, and to complete its planned 2017 calendar year exploration budget. However, since the Company does not generate revenues, the Company will need to periodically obtain new funds to pursue its operations and meet its obligation related to the acquisition of the Beacon property (refer to Beacon property acquisition section) and the design and building of a power line for the Croinor property. Despite its ability to obtain funds in the past, there is no guarantee that it will be able to raise financing in the future.

Beacon property acquisition

On July 5, 2016, the Company signed a letter of intent to acquire the Beacon property from 9265-9911 Québec Inc. which were amended on September 28, 2016. The property consists of a metallurgical processing plant, tailings management ponds, underground installations, a 500-metre deep shaft, a mechanical shop, and all mineral rights attached to the transaction, namely one mining concession, one mining lease and 11 mineral claims totalling 180 hectares (the “Beacon property”). The Company also assumed all reclamation liabilities associated with the restoration plan and a deposit held by the “Ministère des Finances du Québec” of which $1,352,690 is already paid.

The Company closed the acquisition of the Beacon property on October 31, 2016 in consideration of the payment of $1,000,000, a balance payable in cash of US$2,415,600 and the issuance of 3,740,550 common shares, as follows: (i) $1,000,000 cash and 2,431,650 common shares on closing of the transaction; and (ii) US$402,600 payable in cash at the 30th, 36th, 42nd, 48th, 54th and 60th month following closing of the transaction. The Company issued 1,308,900 common shares in July 2016 having a fair value of $746,073 and issued 2,431,650 common shares in October 2016 having a fair value of $924,027.

The balance of purchase price will bear interest at a rate of 10% per annum and will be calculated semi-annually. The interest on each of the deferred payments will be capitalized and added to the outstanding principal amount of such deferred payments for the first 24 months. The Company accounted for the fair value of the balance of purchase price using a discount rate of 10%, which is the rate negotiated between the two parties acting independently.

At any time after October 1, 2018 and prior to March 1, 2019, the Company may delay payment of one or more of the first three deferred payments by paying a premium of 20% of the deferred payment delay. The premium will be added to such delayed deferred payment. Such delayed deferred payment will then be payable in three equal amounts on the 48th, 54th and 60th month following the closing in addition to the originally deferred payments due at this time. This option is valued at nil as at December 31, 2016.

The acquisition of Beacon property does not meet the definition of a business as the property does not have ore reserves nor does it have a processing infrastructure. Consequently, the transaction has been recorded as an acquisition of asset.

The following table sets out the allocation of the purchased price to assets acquired and liabilities assumed, base on the fair value of the total consideration at the closing date of the transaction. The fair value was estimated based on market participant information that management considered reasonable for assessment purposes and on other factors as the current conditions of the assets:

| | $ |
|---|---|
| Fair value of consideration paid: | |
| Cash | 1,000,000 |
| Common shares issued | 1,670,100 |
| Balance of purchase price | 3,239,561 |
| Transaction costs | 57,915 |
| | **5,967,576** |
| Fair value of assets acquired: | |
| In trust deposit | 1,352,690 |
| Milling equipment | 6,361,385 |
| Building and land | 500,000 |
| Vehicle | 52,800 |
| Asset retirement obligations | (2,299,299) |
| | **5,967,576** |

**In trust deposit**

The Company's provision consists primarily of assets retirement obligations for costs associated with mine reclamation and closure activities at the Croinor and Beacon properties.

**(A) <u>Croinor Gold property:</u>**

Following the restoration plan submitted in 2014 by the Company to the Ministère des Ressources Naturelles et de la Faune of the province of Québec ("MRNF") for the Croinor Gold property ("Croinor"), the MRNF advised the Company on January 23, 2015 that the total amount of the financial guarantee for the restoration of the mining site would be $416,155. As at December 31, 2016, the Company has investments totaling $416,155 ($312,117 as at June 30, 2016) in term deposits and cash in accordance with the current financial guarantee requirements set forth by the MRNF for future site restoration costs at the Croinor mining site. These term deposits bear interest ranging from 1.20% to 1.55%, maturing between February 20, 2017 and September 7, 2018.

**(B) <u>Beacon property ("Beacon"):</u>**

The vendor of Beacon submitted a restoration plan in 2014 to the MRNF. The MRNF then advised the vendor of Beacon on May 27, 2015 that the total amount of the financial guarantee for the restoration of the mining site would be $1,810,760. As at December 31, 2016, the Company has investments totaling $1,352,690 (nil as at June 30, 2016) in cash in accordance with the current financial guarantee requirements set forth by the MRNF for future site restoration costs at the Beacon mining site. The remaining amount of $452,690 will need to be deposited in a trust account on May 27, 2017.

### Consolidated Statements of Loss and Comprehensive Loss

### Three and six-month periods ended December 31, 2016 and 2015

| | Three-months ended December 31, | | Six-months ended December 31, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **$** | $ | **$** | $ |
| Expenses: | | | | |
| Compensation | **100,649** | 77,255 | **258,465** | 157,477 |
| Share-based payments | **235,351** | 6,205 | **415,351** | 7,337 |
| Rent, office expense and other expenses | **54,549** | 6,437 | **69,811** | 15,847 |
| Registration, listing fees and shareholders' information | **30,735** | 17,384 | **36,703** | 18,621 |
| Promotion and advertising | **22,452** | 15,539 | **60,268** | 30,778 |
| Representation, missions and trade shows | **26,444** | 9,036 | **54,216** | 15,030 |
| Consultant fees | **79,483** | 30,886 | **177,985** | 34,412 |
| Professional fees | **80,552** | 32,919 | **88,990** | 49,979 |
| **Total expenses** | **630,215** | 195,661 | **1,161,789** | 329,481 |
| Net finance expense (income): | | | | |
| Finance income | **(9,067)** | (16) | **(16,683)** | (3,676) |
| Finance expense | **1,356** | 965 | **2,318** | 1,844 |
| | **(7,711)** | 949 | **(14,365)** | (1,832) |
| **Operating loss** | **622,504** | 196,610 | **1,147,424** | 327,649 |
| Other items: | | | | |
| Other income related to flow-through shares | **(231,050)** | (57,880) | **(356,730)** | (126,969) |
| Loss on foreign exchange | **3,931** | - | **3,931** | - |
| Other revenue | **-** | (8,813) | **-** | (8,813) |
| Change in fair value of marketable securities | **-** | - | **-** | (8,515) |
| | **(227,119)** | (66,693) | **(352,799)** | (144,297) |
| **Loss before income taxes** | **395,385** | 129,917 | **794,625** | 183,352 |
| Current income tax recovery | **-** | - | **(4,093)** | - |
| Deferred income and mining taxes | **145,028** | 45,365 | **223,290** | 104,321 |
| **Net loss for the period** | **540,413** | 175,282 | **1,013,822** | 287,673 |
| **Other comprehensive income:** | | | | |
| Items that are or may be reclassified subsequently to net income or loss: | | | | |
| Change in fair value of available-for-sale marketable securities | **-** | - | **-** | 11,500 |
| **Net loss and Comprehensive loss for the period** | **540,413** | 175,285 | **1,013,822** | 299,173 |
| Basic and diluted loss per share | **0.004** | 0.002 | **0.008** | 0.004 |
| Weighted average number of shares outstanding | **123,333,992** | 86,568,067 | **123,810,304** | 85,219,931 |

The results for the three-month period ended December 31, 2016 show an operating loss of $622,504 ($196,610 for the same period in the previous year). Aside from interest revenues of $9,067 ($16 for the same period in the previous year), the Company has no revenues from operations.

As seen in the previous statement of loss and comprehensive loss, the main variations between the current three-month period and the previous year comparative figures are: i) Compensation increased by $23,394 mainly due to hiring of new employees and reorganisation in the management personnel; ii) Share-based payments increased by $229,146 due to options granted in the second quarter of 2017; iii) Rent, office expense and other expenses increased by $48,112 principally due to the acquisition of Beacon; iv) Promotion and advertising, combined with representation, mission and trade shows all together increased by a total of $24,321, which was mainly due to the fact that more efforts was done this quarter in order to promote the Company towards attracting investors; v) Consultant fees increased by $48,597 mainly due to consultant for investors relations and reorganisation in the management personnel; vi) Professional fees increased by $47,633 mainly due to the increase of activities requesting more legal services.

The results for the six-month period ended December 31, 2016 show an operating loss of $1,147,424 ($329,481 for the same period in the previous year). Aside from interest revenues of $16,683 ($3,676 for the same period in the previous year), the Company has no revenues from operations.

As seen in the previous statement of loss and comprehensive loss, the main variations between the current six-month period and the previous year comparative figures are: i) Compensation increased by $100,988 mainly due to hiring of new employees and reorganisation in the management personnel; ii) Share-based payments increased by $408,014 due to options granted during the first six months of fiscal 2017; iii) Rent, office expense and other expenses increased by $53,964 principally due to the acquisition of Beacon; iv) Promotion and advertising, combined with representation, mission and trade shows all together increased by a total of $68,676, which was mainly due to the fact that more efforts was done this quarter in order to promote the Company towards attracting investors; v) Consultant fees increased by $143,573 mainly due to consultant for investors relations and reorganisation in the management personnel; vi) Professional fees increased by $39,011 mainly due to the increase of activities requesting more legal services.

**Financing activities for the three-month and six-month periods ended December 31, 2016**

In December 2016, the Company closed a brokered private placement of an aggregate of 4,382,130 flow-through shares at a price of $0.35 per share for a gross proceeds of $1,533,745.

In July 2016, the Company closed a brokered private placement of an aggregate of 4,083,333 flow-through units (the “FT Units”) at a price of $0.51 per FT Unit for a gross proceed of $2,082,500. Each FT Unit is comprised of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of $0.51 for a period of 36 months following the closing of the private placement.

The Company issued 1,308,900 common shares in July 2016 and 2,431,650 in October 2016 as payment for the Beacon property acquisition. The market price of the common shares on July 21, 2016 was $0.57 and on October 31, 2016 was $0.38. The Company was not able to reliably determine the fair value of services received and therefore, the fair value of the shares was evaluated based on the market price at the date of issuance

Between July 1, 2016 and up to December 31, 2016, 300,000 options were exercised at an exercise price of $0.14 and 4,683,274 warrants were exercised at an exercise price between $0.10 and $0.18. Following these exercises, the Company received an aggregate amount of $748,077 and issued a total of 3,733,274 common shares of the Company (1,250,000 shares are still to be issued as at December 31, 2016).

**Investing activities for the three-month and six-month periods ended December 31, 2016**

During the second quarter of 2017, the cash flow used by the investing activities totalling $2,338,165 was for : i) exploration and evaluation assets mainly on the Croinor Gold property for a total of $1,062,932 (net of the variation during the period in the accounts payables and accrued liabilities related to such amounting to $156,504 and capitalized interest of $53,991); ii) an amount of $104,038 related to addition to in trust deposit for the Croinor property and; iii) finally, the Company also pay $1,000,000 for the acquisition of the Beacon property and $168,496 for addition to assets under construction.

During the six-month period ended December 31, 2016, the cash flow used by the investing activities totalling $2,544,291 was for: i) exploration and evaluation assets mainly on the Croinor Gold property for a total of $1,246,728 (net of the variation during the period in the accounts payables and accrued liabilities related to such amounting to $148,833 and capitalized interest of $53,991); ii) an amount of $104,038 related to addition to in trust deposit for the Croinor property and; iii) finally, the Company also pay $1,000,000 for the acquisition of the Beacon property and $175,779 for addition to assets under construction.

The details for the total exploration and evaluation expenses done during the three-month period ended on December 31, 2016 on each property are presented in the following table:

| Properties | Balance as at September 30, 2016 ($) | Salaries and Consultants ($) | Geology and geophysics ($) | Test, sampling and prospecting ($) | Drilling, equipment rental and other material ($) | Lodging, meals and travel expenses ($) | Increase (Decrease) for the period ($) | Tax credits for resources | Balance as at December 31, 2016 ($) |
|---|---|---|---|---|---|---|---|---|---|
| Croinor Gold | **2,429,289** | 53,583 | 416,721 | 82,106 | 340,251 | 5,035 | 897,696 | - | **3,326,985** |
| Regcourt Gold | **41,512** | - | - | - | - | - | - | - | **41,512** |
| Simkar Gold | **1,133,795** | - | 7,323 | - | - | 1,409 | 8,732 | - | **1,142,527** |
| **TOTAL** | **3,604,596** | **53,583** | **424,044** | **82,106** | **340,251** | **6,444** | **906,428** | **-** | **4,511,024** |

The details for the total exploration and evaluation expenses done during the three-month period ended on December 31, 2015 on each property are presented in the following table:

| Properties | Balance as at September 30, 2015 ($) | Salaries and Consultants ($) | Geology and geophysics ($) | Test, sampling and prospecting ($) | Drilling, equipment rental and other material ($) | Lodging, meals and travel expenses ($) | Increase (Decrease) for the period ($) | Tax credits for resources | Balance as at December 31, 2015 ($) |
|---|---|---|---|---|---|---|---|---|---|
| Belcourt Gold | **2,449** | - | - | - | - | - | - | - | **2,449** |
| Croinor Gold | **1,590,734** | 40,393 | 142,621 | 15,199 | 66,725 | 6,093 | 271,031 | - | **1,861,765** |
| Regcourt Gold | **41,512** | - | - | - | - | - | - | - | **41,512** |
| Simkar Gold | **1,038,333** | - | 44,081 | - | - | - | 44,081 | - | **1,082,414** |
| **TOTAL** | **2,673,028** | **40,393** | **186,702** | **15,199** | **66,725** | **6,093** | **315,112** | **-** | **2,988,140** |

The details for the total exploration and evaluation expenses done during the six-month period ended on December 31, 2016 on each property are presented in the following table:

| Properties | Balance as at June 30, 2016 ($) | Salaries and Consultants ($) | Geology and geophysics ($) | Test, sampling and prospecting ($) | Drilling, equipment rental and other material ($) | Lodging, meals and travel expenses ($) | Increase (Decrease) for the period ($) | Tax credits for resources | Balance as at December 31, 2016 ($) |
|---|---|---|---|---|---|---|---|---|---|
| Croinor Gold | **1,990,241** | 229,655 | 578,765 | 86,225 | 431,372 | 10,727 | 1,336,744 | - | **3,326,985** |
| Regcourt Gold | **41,512** | - | - | - | - | - | - | - | **41,512** |
| Simkar Gold | **1,083,710** | - | 27,366 | - | 29,676 | 1,775 | 58,817 | - | **1,142,527** |
| **TOTAL** | **3,115,463** | **229,655** | **606,131** | **86,225** | **461,048** | **12,502** | **1,395,561** | **-** | **4,511,024** |

The details for the total exploration and evaluation expenses done during the six-month period ended on December 31, 2015 on each property are presented in the following table:

| Properties | Balance as at June 30, 2015 ($) | Salaries and Consultants ($) | Geology and geophysics ($) | Test, sampling and prospecting ($) | Drilling, equipment rental and other material ($) | Lodging, meals and travel expenses ($) | Increase (Decrease) for the period ($) | Tax credits for resources | Balance as at December 31, 2015 ($) |
|---|---|---|---|---|---|---|---|---|---|
| Belcourt Gold | **2,449** | - | - | - | - | - | - | - | **2,449** |
| Croinor Gold | **1,222,262** | 95,465 | 248,236 | 34,020 | 249,134 | 12,648 | 639,503 | - | **1,861,765** |
| Regcourt Gold | **41,512** | - | - | - | - | - | - | - | **41,512** |
| Simkar Gold | **1,038,333** | - | 44,081 | - | - | - | 44,081 | - | **1,082,414** |
| **TOTAL** | **2,304,556** | **95,465** | **292,317** | **34,020** | **249,134** | **12,648** | **683,584** | **-** | **2,988,140** |

### Selected quarterly data

Operating results for each of the last 8 quarters are presented in the table below. The data related to these quarters were prepared in the same manner as that of the audited financial statements for the fiscal year ended June 30, 2016.

| Operating results as at: | Finance income ($) | Loss before income taxes ($) | Comprehensive loss ($) | Loss per share – basic and diluted ($) |
|---|---|---|---|---|
| **December 31, 2016** | 9,067 | 395,385 | 540,413 | 0.004 |
| **September 30, 2016** | 7,616 | 399,240 | 473,409 | 0.004 |
| **June 30, 2016** | 2,701 | 171,736 | 350,425 | 0.004 |
| **March 31, 2016** | 2,746 | 204,151 | 210,512 | 0.002 |
| **December 31, 2015** | 16 | 129,917 | 175,282 | 0.002 |
| **September 30, 2015** | 3,660 | 53,433 | 123,891 | 0.001 |
| **June 30, 2015** | 4,347 | 226,309 | 211,324 | 0.003 |
| **March 31, 2015** | 5,293 | 134,826 | 173,302 | 0.002 |

**Common shares:**

| Outstanding shares information as at: | Common shares outstanding | Number of weighted average Common shares outstanding |
|---|---|---|
| **As at the date of this report** | 134,551,044 | 128,742,895 |
| **December 31, 2016** (1) | 131,469,461 | 123,333,992 |
| **September 30, 2016** | 122,857,681 | 121,143,536 |
| **June 30, 2016** | 114,280,174 | 92,446,672 |
| **March 31, 2016** | 90,434,265 | 86,945,401 |
| **December 31, 2015** | 90,434,265 | 86,568,067 |
| **September 30, 2015** | 83,871,765 | 83,871,765 |
| **June 30, 2015** | 83,871,765 | 83,871,765 |
| **March 31, 2015** | 79,871,765 | 79,871,765 |

(1) As at December 31, 2016, 1,250,000 common shares still to be issued were include in this number.

**Share purchase options:**

| Outstanding share purchase options as at: | Options issued | Options exercisable | Average exercise strike price ($) |
|---|---|---|---|
| **As at the date of this report** | 6,020,000 | 5,816,667 | 0.21 |
| **December 31, 2016** | 6,130,000 | 5,875,833 | 0.21 |
| **September 30, 2016** | 4,925,000 | 4,925,000 | 0.17 |
| **June 30, 2016** | 5,750,000 | 5,750,000 | 0.19 |
| **March 31, 2016** | 5,925,000 | 5,925,000 | 0.19 |
| **December 31, 2015** | 5,200,000 | 5,200,000 | 0.21 |
| **September 30, 2015** | 5,050,000 | 5,050,000 | 0.21 |
| **June 30, 2015** | 5,095,000 | 5,095,000 | 0.22 |
| **March 31, 2015** | 4,145,000 | 4,145,000 | 0.23 |

As at December 31, 2016, the Company had 6,130,000 outstanding options to purchase common shares. These options allow their holder to subscribe to common shares at a price varying between $0.08 and $0.50 per common share for a period varying from 24 months to 60 months from the issue date, subject to the conditions established under the common share purchase option Plan. During the period ended December 31, 2016, 1,225,000 options expired with an exercise price of $0.40, 300,000 options were exercised with an exercise price of $0.14 and 1,905,000 options were granted with an exercise price of $0.37.

**Warrants granted to others than the brokers:**

| Outstanding warrants to shareholders as at: | Warrants issued to shareholders | Warrants exercisable | Average strike price ($) |
|---|---|---|---|
| **As at the date of this report** | 21,121,922 | 21,121,922 | 0.24 |
| **December 31, 2016** | 24,093,505 | 24,093,505 | 0.24 |
| **September 30, 2016** | 25,691,505 | 25,691,505 | 0.24 |
| **June 30, 2016** | 24,562,565 | 24,562,565 | 0.18 |
| **March 31, 2016** | 22,348,558 | 22,348,558 | 0.15 |
| **December 31, 2015** | 24,166,739 | 24,166,739 | 0.15 |
| **September 30, 2015** | 28,959,139 | 28,959,139 | 0.21 |
| **June 30, 2015** | 28,959,139 | 28,959,139 | 0.21 |
| **March 31, 2015** | 24,959,139 | 24,959.139 | 0.22 |

**Warrants to brokers:**

| Outstanding warrants to brokers as at: | Warrants issued to brokers | Warrants exercisable | Average exercise strike price ($) |
|---|---|---|---|
| **As at the date of this report** | 1,048,739 | 1,048,739 | 0.20 |
| **December 31, 2016** | 1,048,739 | 1,048,739 | 0.20 |
| **September 30, 2016** | 746,569 | 746,569 | 0.13 |
| **June 30, 2016** | 877,450 | 877,450 | 0.13 |
| **March 31, 2016** | 1,048,076 | 1,048,076 | 0.13 |
| **December 31, 2015** | 1,048,076 | 1,048,076 | 0.13 |
| **September 30, 2015** | 1,696,585 | 1,696,585 | 0.17 |
| **June 30, 2015** | 1,696,585 | 1,696,585 | 0.17 |
| **March 31, 2015** | 1,696,585 | 1,696,585 | 0.17 |

As at December 31, 2016, the Company had issued 24,093,505 exercisable warrants to shareholders and 1,048,739 exercisable warrants to brokers. Each warrant allows its holder to subscribe to one (1) common share at a price varying between $0.10 per share to $0.51 per share for a period varying between 24 and 36 months following their issue date. Furthermore, the 9,447,743 warrants issued to shareholders during the month of December 2014 are listed on the TSX Venture exchange and started trading at the opening of the markets on January 23, 2015 under the trading symbol "MQR.WT.A", entitling their holders thereof to purchase one common share, at a price of $0.18 per common share, until 5:00 p.m. (Montréal time) on December 15, 2017.

### Off Balance sheet agreements

The Company has not concluded any off balance sheet agreements.

### Commitments

#### FLOW-THROUGH SHARES

The Company is committed to incur eligible exploration and evaluation expenses, pursuant to the Canada Income Tax Act and Québec Taxation Act, of $220,000 by December 31, 2016, and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through shares completed on December 18, 2015. In relation to this commitment, the Company has incurred a cumulative amount of $220,000 of eligible expenses as at December 31, 2016 and has no funds reserved for exploration related to this commitment.

The Company is committed to incur eligible exploration and evaluation expenses, pursuant to the Canada Income Tax Act and Québec Taxation Act, of $2,082,500 by December 31, 2017, and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through shares completed on July 7, 2016. In relation to this commitment, the Company has incurred a cumulative amount of $1,339,516 of eligible expenses as at December 31, 2016 and has $742,984 of funds reserved for exploration.

The Company is committed to incur eligible exploration and evaluation expenses, pursuant to the Canada Income Tax Act and Québec Taxation Act, of $1,533,745 by December 31, 2017, and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through shares completed on December 16 and 23, 2016. In relation to this commitment, the Company has not yet incurred any amount of eligible expenses as at December 31, 2016 and has $1,533,745 of funds reserved for exploration.

**Additional information required from junior issuers with no significant income**

The Company reports the information on its exploration and evaluation assets in note 8 of its consolidated condensed interim financial statements for the period ended December 31, 2016.

The Company has no research and development expenses.

The Company has no deferred expenses other than those related to its mining properties and explorations & evaluation assets.

The office and general administrative expenses for the three-month and six-month periods ended December 31, 2016 as well as the same period for the previous year are composed of the following expenses:

| Rent, office and other expenses | | | | |
|---|---|---|---|---|
| | Three-month periods ended December 31 | | Six-month periods ended December 31 | |
| | 2016 ($) | 2015 ($) | 2016 ($) | 2015 ($) |
| Office supplies and mailing | **10,549** | 162 | **13,491** | 1,851 |
| Insurances, taxes and permits | **38,010** | 5,546 | **43,211** | 12,591 |
| Office expenses and equipment | **1,987** | 291 | **2,682** | 473 |
| Telecommunications | **1,274** | 438 | **2,106** | 932 |
| Training, HR activities and other adjustments | **2,729** | - | **8,321** | - |
| **TOTAL** | **54,549** | 6,437 | **69,811** | 15,847 |

### Financing sources

The financing sources for the last 8 quarters and up to the date of this report are listed in the following table:

| Date | Type | Financings | Amount ($) | Use of proceeds |
|---|---|---|---|---|
| December 16 and 23, 2016 | Brokered private placement | Flow-through shares | 1,533,745 | **Purpose:** Exploration work on the properties owned by the Corporation.<br>**Use of funds:** No funds are yet incurred. |
| July 7, 2016 | Brokered private placement | Flow-through shares | 2,082,500 | **Purpose:** Exploration work on the properties owned by the Corporation.<br>**Use of funds:** Between July 7, 2016 and December 31, 2016, $1,339,516 was used for exploration work on the Corporation properties. |
| May 26, 2016 | Brokered private placement | Common shares | 3,000,001 | **Purpose:** General administrative expenses and working capital.<br>**Use of funds:** A portion of this financing was used for general administrative expenses and working capital. |
| December 18, 2015 | Brokered private placement | Common shares | 55,000 | **Purpose:** General administrative expenses and working capital.<br>**Use of funds:** Between December 18, 2015 and the date of this report, an amount of $53,060 was used for to pay share issuance costs related to this financing, while the remaining funds have been used for administrative purposes. |
| | | Flow-through shares | 220,000 | **Purpose:** Exploration work on the properties owned by the Corporation.<br>**Use of funds:** Between December 18, 2015 and December 31, 2016, $220,000 was used for exploration work on the Corporation properties. |
| November 6, 2015 | Non-brokered private placement | Common shares | 310,000 | **Purpose:** General administrative expenses and mining properties acquisition and investments.<br>**Use of funds:** As at the date of this report, the Corporation has used these funds for general administrative expenses and mining properties acquisition and investments. |

### Significant accounting policies

There is a full disclosure and description of the Corporation's significant accounting policies and changes in accounting policies in notes 3 and 4 of the audited consolidated financial statements for the year ended June 30, 2016.

## FINANCIAL RISK, MANAGEMENT OBJECTIVES AND POLICIES

There is a full disclosure and description of the Corporation's financial instruments and financial risks management and capital management in note 20 and 21 of the audited consolidated financial statements for the year ended June 30, 2016 and an amendment to these risks in note 17 of the consolidated condensed interim financial statements for the period ended December 31, 2016.

#### Properties titles

According to the mining law and regulations of the Province of Quebec, to renew its claims, the Corporation must incur a minimum of exploration expenditures and must pay the Québec government, a rent per claim, for every 2 years renewal period. Between the date of this MD&A and June 30, 2017, 25 claims and 1 mining lease will need to be renewed in the amount of $5,483.

#### Additional financing

In the future, additional funds will be required to finance the exploration or development work on the Company's properties, to pay for the renewal of the claims forming the properties and to cover the costs of managing the Company. The main sources of funds available to the Company are the issuance of additional shares, the borrowing of money or the sale of interests in its properties. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

#### Conditions of the industry in general

The exploration and development of mineral resources involves significant risks that even a due diligence evaluation, combined with experience and know-how could not avoid. Although the discovery of a deposit can prove to be extremely lucrative, only a few properties where exploration and development work are carried out become producing mines thereafter. Important expenditures are necessary to establish ore reserves, to work out the metallurgical processes and to build the mining plant on a particular site. It is impossible to provide assurance to the effect that the exploration and development programs contemplated by the Company will generate a profitable mine.

Economic viability of a mineral deposit depends on many factors, of which some are due to the specific characteristics of the deposit, in particular its size, its grade and its proximity with the infrastructures as well as the cyclic character of the prices of metals and the governmental regulations, the royalties, the limits of production, the import and export of minerals and the protection of the environment. The impact of these factors cannot be evaluated in a precise way, but their effect can make so that the mineral deposit does not provide an adequate return of the funds invested.

The mining activities comprise a high level of risks. The activities of the Company are subject to all the dangers and the risks usually dependent on the exploration and the development, including the unusual and unforeseen geological formations, explosions, collapses, floods and other situations which can occur during drilling and the removal of material and of which any could cause physical or material or environmental injuries and, possibly, legal responsibility.

### Governmental regulation

The activities of the Company are subject to various federal, provincial and local laws, which relate to the exploration and development, taxes, standards of work, diseases and the occupational safety, the safety in mines, toxic substances, the protection of the environment and others. The exploration and the development are subject to legislative measures and laws with the federal, provincial and local levels relating to the protection of the environment. These laws impose high standards on the mining industry, in order to control the rejects of waste water and to force the participants to account for such controls to the lawful authorities, to reduce or eliminate the impact that are generated by certain production activities; extraction and of treatment and which are later on deposited on the ground or are rejected into the air or the water, to complete work of restoration of the mining properties, to control dangerous waste and materials and to reduce the risk of industrial accidents. The defect to conform to the above-mentioned legislative measures can involve important fines and other penalties.

### Risks of lawsuits and no insurable risks

The Company could be held responsible for pollution or for other risks against which it could not be insured or against which it could choose not to be insured, given the high cost of the premiums or for other reasons. The payment of sums in this respect could involve the loss of the assets of the Company.

### Conflicts of Interest

Some of the directors and officers of the Company are engaged as directors or officers of other corporations involved in the exploration and development of mineral resources. Such engagement could result in conflicts of interest. Any decision taken by these directors and officers and involving the Company will be in conformity with their duties and obligations to compromise in an equitable way and in good faith with the Company and these other corporations. Moreover, these directors and officers will declare their interests and will abstain to vote on any question which could give place to a conflict of interest.

### Permits, licences and authorizations

The activities of the Company require obtaining and maintaining permits and licences from various governmental authorities. The Company considers that it holds all the permits and licences required for its activities; it currently carries on, in accordance with the relevant laws and by-laws. Changes brought to the by-laws could affect these permits and licences. Nothing guarantees that the Company can obtain all the permits and all the necessary licences in order to continue its mining activities, to build mines or mining plants and to begin the exploitation of its exploration properties. Moreover, if the Company begins the exploitation of an exploration property, it will have to obtain the necessary permits and licences and to conform to all the required obligations concerning the use of water, removal of waste etc. It cannot be guaranteed that the Company will be able to obtain these permits and licences, nor that it will be able to conform to their requirements.

### Dependence on the management

The Company is dependent towards certain persons of its management. The loss of their services could have an unfavourable impact on the Company.

### Territorial claims

The properties in which the Company holds an interest are not currently subject to territorial claims on behalf of first nations. No assurance can however be provided to the effect that such will not be the case in the future.

### Price of metals

The price of the common shares, the financial results of the Company, its exploration and development activities; could all be negatively impacted by the fall of the prices of metals, resulting in an impact on the capacity of the Company to finance its activities. The prices of metals fluctuate in an important way and are tributary to various factors which are independent of the control of the Company, such as the sale or the purchase of metals by various brokers, central banks and financial institutions, the rates of interest, foreign exchange rates, the rates of inflation, of deflation, the fluctuations in the value of the Canadian dollar and other currencies, the regional and world offer and demand, the economic conjuncture and policies of countries of the world which are large metal producers. The prices of metals fluctuated hugely these last years and any serious downward correction could prevent the continuation of the development activities of the properties of the Company.

### Tax risks

The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities could have negative tax consequences for investors or the Company. In such an event, the Company will indemnify each flow-through share subscriber for the additional taxes payable by such subscriber as a result of the Company's failure to renounce the qualifying expenditures as agreed.

### Additional Information and Continuous Disclosure

This MD&A was prepared as of the date shown in the header of this document. Additional information relating to the Company, including the technical reports mentioned herein and the Company’s Proxy Circular can be found on the website www.sedar.com and on our website at www.monarquesgold.com.

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**STOCK EXCHANGE**
TSX Venture Exchange
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**MQR.WT.A** for the warrants issued in December 2014 and expiring in December 2017

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Alain Lévesque, CPA, CA
Chief Financial Officer

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